What the Complex Labor Market Means for US Economy

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Inflation spikes, delayed supply chains, a hot labor market and a looming recession all continue to hinder the U.S. economy. Job openings made a record monthly decline of 1.1 million in August to 10.1 million, according to U.S. Department of Labor data. Voluntary quitting also remains high while layoffs lay low. And the central bank hopes a cooling labor market will lower wage growth—one of the biggest contributions to current inflation, per *CNBC*.

Interest rate hikes are expected to continue as both inflation and the labor market remain uncomfortably hot. According to the U.S. Bureau of Labor Statistics, there was an addition of 261,000 jobs in October.

But with taming inflation and cooling the job market comes a serious risk of recession. “The Federal Reserve faces the difficult task of cooling down a searing-hot labor market, and aggressive rate hikes will ultimately tip the US economy into a deeper recession than what Europe will likely see, according to Bank of America,” reads an article from Markets Insider.

So far, the area where inflation is cooling is goods, like vehicles and apparel, which showcases improved supply chains and shifted spending patterns toward services, per Bloomberg. But those conditions haven't changed the price pressures from services. “Either way, a still-tight labor market underscores what's likely to be a relatively slow decline in the coming months for inflation, which has been a major factor in this week's midterm elections,” the article reads. “The overall annual inflation rate exceeded forecasts in six of the prior seven months.”

Labor issues also continue to impact the shipping industry, as workers still advocate for salary increases to keep up with inflation. For example, potential railroad strikes in both the U.S. and now Europe could be detrimental to the economy as a whole.

Economists say 2023 may see a rush of new ships, making container rates lower as well as shipping costs—however, environmental issues and natural disasters may bring more concern to the forefront. Hurricanes, floods and heatwaves all contribute to supply chain delays. Water levels in both Germany and the U.S. have fallen, which caused a major back-up of 100 vessels, according to *Fast Company*.

With the Fed’s persistent raise in interest rates, the risk of a recession is much higher. And certain industries will continue to be hit harder than others, such as the housing market and stocks, according to *Forbes*.